

Message Text

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PAGE 01 CAIRO 06033 171617Z

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C O N F I D E N T I A L CAIRO 6033

EXDIS

EO 11652: GDS

TAGS: EAID EGEN USEGJC

SUBJECT: REVISED GOE STATEMENT RE EGYPT'S FINANCIAL
ASSISTANCE REQUIREMENTS

REF: A) CAIRO 5912 B) CAIRO 5913 C) CAIRO 5980

D) STATE 133630

1. DURING SERIES OF MEETINGS OVER PAST TWO DAYS, WE HAVE
WORKED WITH DR. EL SARRAF, UNDERSECRETARY OF MINFIN, TO PREPARE
NEW DRAFT OF SUBJECT LETTER STRESSING, OF COURSE, ITS AD REFERENDUM
NATURE (REFTEL C). EL SARRAF ATTEMPTING GET CLEARANCE OF MINISTER
ABU ISMAIL TO DRAFT, BUT, SINCE TOMORROW, WEDNESDAY, JUNE 19,
IS EGYPTIAN HOLIDAY, SARRAF DOUBTS THAT HE CAN OBTAIN ABU ISMAIL'S
CONCURRENCE BEFORE THURSDAY MORNING.

2. TEXT OF FIRST THREE PARAGRAPHS OF NEW DRAFT IS IDENTICAL TO
PARAGRAPHS 6-A, B, AND C OF REFTEL D.

3. FOLLOWING TEXT SUBSTITUTES FOR PARAGRAPH 6-D AND E OF
REFTEL D. QUOTE THE ABOVE DEFICIT ASSUMES THE USE OF SHORT
TERM BANKING FACILITIES TO OFFSET REPAYMENT OF SUCH CREDITS IN
THE AMOUNT OF L.E. 700 MILLION FALLING DUE IN 1975. THE CONTINUED
USE OF SUCH FACILITIES WITH INTEREST RATES OF UP TO 15 PERCENT WOULD
CONSTITUTE AN ONGOING DEBT SERVICING BURDEN OF SERIOUS PROPORTIONS
FOR EGYPT. THUS, THE GOVERNMENT OF EGYPT WOULD LIKE TO OBTAIN
FINANCING ON MEDIUM AND LONG TERM BASIS IN THE MAGNITUDE OF
L.E. 700 MILLION TO AVOID FURTHER USE OF SHORT TERM BANKING

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PAGE 02 CAIRO 06033 171617Z

FACILITIES. AS A RESULT, THE TOTAL ADDITIONAL FINANCING REQUIREMENT

FOR 1975 IS ABOUT L.E. 1,430 MILLION, OR ABOUT US DOLLARS 3.6 BILLION.

THE NEW CABINET HAS UNDERTAKEN EXTENSIVE REVIEWS OF THE IMMEDIATE AND LONGER TERM FINANCIAL OUTLOOK AND OF BOTH POLICY AND ADMINISTRATIVE MEASURES REQUIRED TO REDUCE EGYPT'S DEPENDENCE UPON FOREIGN FINANCING OF CURRENT IMPORTS. THE GOVERNMENT IS CURRENTLY CONSIDERING MEASURES TO IMPROVE THE MANAGEMENT AND ALLOCATION OF FOREIGN EXCHANGE IN CONJUNCTION WITH THE PREPARATION OF THE ANNUAL ECONOMIC PLAN AS WELL AS THE GOVERNMENT BUDGET FOR 1976. IN THIS CONNECTION, EXCHANGES OF VIEWS HAVE TAKEN PLACE BETWEEN APPROPRIATE MINISTRIES AND EXPERTS OF IMF AND IBRD. ALSO, THE GOVERNMENT OF EGYPT INTENDS TO LIMIT DEBT SERVICE TO FOREIGN OFFICIAL CREDITORS OVER THE NEXT 12 MONTHS TO THE AMOUNT OF NEW CIVIL CREDITS PROVIDED BY EACH CREDITOR. END QUOTE

4. FIGURE OF DOLLAR ONE BILLION IN PARA. E OF REFTEL D IS CHANGED TO L.E. 1,430 MILLION (\$3.6 BILLION).

5. THE WORD "SEVEN" IS DROPPED FROM LINE THREE AS ONLY CHANGE IN PARAGRAPH G OF REFTEL D.

6. COMMENT: DRAFT REFLECTS ABU ISMAIL'S INSISTENCE ON RETAINING FIGURE OF ADDITIONAL FINANCIAL ASSISTANCE REQUIREMENT AT LEVEL OF LEAST L.E. 1.4 BILLION. EL SARRAF WARNED THAT ABU ISMAIL MAY WANT TO RAISE FIGURE TO L.E. 1.5 BILLION. WITH FIGURE OF EITHER L.E. 1.4 BILLION OR L.E. 1.5 BILLION AS ADDITIONAL FINANCIAL ASSISTANCE REQUIREMENTS, AND GOE UNWILLINGNESS TO MAKE ANY STATEMENT OF INTENT TO REDUCE PROJECTED IMPORT LEVEL, EFFECT OF LETTER MAY BE COUNTERPRODUCTIVE. MAESTRONE

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